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**FRESNO COUNTY ECONOMIC
OPPORTUNITIES COMMISSION**

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

INDEPENDENT AUDITORS' REPORT

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

December 31, 2008

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KAKU & MERSINO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Fresno County Economic Opportunities Commission

We have audited the accompanying Consolidated Statement of Financial Position of Fresno County Economic Opportunities Commission (a nonprofit organization) as of December 31, 2008, and the related Consolidated Statements of Activities, Functional Expenses and Cash Flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fresno County Economic Opportunities Commission as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2009, on our consideration of Fresno County Economic Opportunities Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Fresno County Economic Opportunities Commission taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Kaku + Mersino, LLP

KAKU & MERSINO, LLP

May 8, 2009

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION DECEMBER 31, 2008

ASSETS

Cash and Cash Equivalents	\$ 4,918,225
Investments	787,703
Grant Receivables	5,625,499
Other Receivables	1,724,650
Inventories	60,500
Prepaid Expenses and Deposits	450,551
Notes Receivable	653,618
Investments in Trust	22,622
Property and Equipment, net	25,758,794
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TOTAL ASSETS	\$ 40,002,162

LIABILITIES

Accounts Payable and Accrued Expenses	\$ 2,211,868
Salaries and Benefits Payable	3,614,158
Deferred Revenue	10,217,737
Notes Payable	3,431,106
Other Liabilities	3,413,619
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TOTAL LIABILITIES	22,888,488

NET ASSETS

Unrestricted Net Assets	17,113,674
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TOTAL NET ASSETS	17,113,674
	<hr/>
TOTAL LIABILITIES AND NET ASSETS	\$ 40,002,162

The accompanying notes are an integral part of the consolidated financial statements.

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2008

UNRESTRICTED NET ASSETS

REVENUES AND SUPPORT

Grant Revenues	\$ 84,187,707
Fees for Services	18,704,764
In-Kind Matching Contributions	2,213,807
Investment Income	211,112
Miscellaneous	263,321
Contributions	<u>231,961</u>

TOTAL UNRESTRICTED REVENUES AND SUPPORT 105,812,672

EXPENSES

Program Services

Education	36,524,845
Employment and Training	4,158,786
Health Services	31,452,876
Youth Services	8,954,265
Food, Transit, and Other Services	<u>19,887,971</u>

Total Program Services 100,978,743

Supporting Services

Administrative Services	<u>4,710,566</u>
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TOTAL UNRESTRICTED EXPENSES 105,689,309

EXCESS OF UNRESTRICTED REVENUES AND SUPPORT OVER UNRESTRICTED EXPENSES

123,363

Increase in Grant Funded Assets, net 104,902

INCREASE IN UNRESTRICTED NET ASSETS 228,265

UNRESTRICTED NET ASSETS, BEGINNING OF YEAR 16,885,409

UNRESTRICTED NET ASSETS, END OF YEAR \$ 17,113,674

The accompanying notes are an integral part of the consolidated financial statements.

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2008

	PROGRAM SERVICES			
	EDUCATION	EMPLOYMENT AND TRAINING	HEALTH SERVICES	YOUTH SERVICES
EXPENSES				
Salaries and Benefits	\$ 24,090,648	\$ 3,439,704	\$ 4,274,813	\$ 5,444,258
Contracts and Professional	3,030,803	239,490	137,093	603,510
Administrative Services	1,941,091	199,154	320,768	474,576
Facility Costs	2,820,532	103,087	214,134	470,290
Travel and Vehicle	526,413	11,681	70,025	238,158
Equipment and Leases	119,974	5,844	43,055	64,908
Repairs and Maintenance	389,954		10,099	294,882
Office Expenses	684,376	25,938	55,657	100,709
Telephone	127,958	10,377	22,900	49,846
Utilities	378,233		4,928	104,793
Insurance	181,294	16,378	31,382	142,556
Program Costs	1,656,899	82,874	156,144	563,518
Food Vouchers			26,075,831	
Utility Vouchers				
Capital Outlays	377,164		25,000	143,666
Depreciation	19,414			119,490
Interest				
Other	180,092	24,259	11,047	139,105
TOTAL EXPENSES	<u>\$ 36,524,845</u>	<u>\$ 4,158,786</u>	<u>\$ 31,452,876</u>	<u>\$ 8,954,265</u>

(Continued)

The accompanying notes are an integral part of the consolidated financial statements.

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>PROGRAM SERVICES</u>	<u>SUPPORTING SERVICES</u>	<u>TOTAL</u>
	<u>FOOD, TRANSIT AND OTHER</u>	<u>ADMINI- STRATIVE</u>	
EXPENSES			
Salaries and Benefits	\$ 7,702,919	\$ 3,378,507	\$ 48,330,849
Contracts and Professional	2,907,185	276,753	7,194,834
Administrative Services	718,614	-	3,654,203
Facility Costs	243,894	210,530	4,062,467
Travel and Vehicle	1,074,748	168,597	2,089,622
Equipment and Leases	42,179	39,833	315,793
Repairs and Maintenance	852,416	6,472	1,553,823
Office Expenses	137,092	196,115	1,199,887
Telephone	42,557	23,428	277,066
Utilities	450,215	145	938,314
Insurance	268,303	19,740	659,653
Program Costs	2,188,254	138,143	4,785,832
Food Vouchers			26,075,831
Utility Vouchers	2,820,495		2,820,495
Capital Outlays			545,830
Depreciation	338,845	170,369	648,118
Interest	72,656	55,275	127,931
Other	27,599	26,659	408,761
TOTAL EXPENSES	<u>\$ 19,887,971</u>	<u>\$ 4,710,566</u>	<u>\$ 105,689,309</u>

The accompanying notes are an integral part of the consolidated financial statements.

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2008

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	\$ 228,265
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,632,910
Change in Priced Investments	12,462
Gain on Sale of Fixed Assets	(4,796)
(Increase) Decrease in Assets:	
Grant Receivables	569,013
Other Receivables	176,922
Inventories	7,758
Prepaid Expenses and Deposits	50,700
Increase (Decrease) in Liabilities:	
Accounts Payable and Accrued Expenses	409,512
Salaries and Benefits Payable	966,993
Deferred Revenue	(366,179)
Other Liabilities	(414,140)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,269,420</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of Property and Equipment	(2,358,124)
Sale Proceeds on Sale of Fixed Assets	4,796
Borrowings on Notes Receivable	(387,750)
Repayments on Notes Receivable	277,947
Sale Proceeds of Investments	2,085,000
Purchases of Investments	(597,627)
NET CASH USED BY INVESTING ACTIVITIES	<u>(975,758)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from Notes Payable	700,000
Principal Payments on Notes Payable	(565,440)
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>134,560</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	2,428,222
BEGINNING CASH AND CASH EQUIVALENTS	<u>2,490,003</u>
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 4,918,225</u></u>

Supplemental Disclosures of Cash Flow Information:
Cash paid during year for interest \$136,901.

The accompanying notes are an integral part of the consolidated financial statements.

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

Note 1 – Nature of Activities

Fresno County Economic Opportunities Commission (the "Agency") is a nonprofit corporation incorporated in the State of California in 1965. The Agency is a local community human services agency that provides assistance to economically and socially disadvantaged persons in the Fresno County region through various types of health and welfare services and programs. The majority of the Agency's funding is supported by grants from federal, state, and local governments, with additional sources of revenue from fees for services, in-kind contributions and donor contributions.

Note 2 – Summary of Significant Accounting Policies

Principles of Consolidation

The Agency consolidates for profit subsidiaries and related nonprofit entities in which it has a controlling financial interest. The accompanying financial statements reflect the consolidation of the financial statements of the Agency and its wholly owned subsidiaries: Western Community Industries, Inc. (WCI), and Fresno Executive Plaza, Inc.(FEP). The financial statements also include Fresno Community Development Financial Institution (CDFI) and Enterprise Plus Economic Development Center, Inc., a nonprofit public benefit corporations exempt from federal income tax under Section 501(c)(3). All significant intercompany accounts and transactions have been eliminated. WCI and FEP do not have any significant operations and are considered inactive.

Basis of Accounting and Presentation

The financial statements of the Agency have been prepared using the accrual basis of accounting. The financial statements are prepared in accordance with the Financial Accounting Standards Board's Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations* and SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Under SFAS No. 117, the Agency is required to report amounts related to its financial position and activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

See Independent Auditors' Report

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Accordingly, actual results could differ from those estimates.

Net Asset Classifications

As required by SFAS No. 117, the Agency is required to report amounts in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired. The Agency considers all contributions as available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes are reported as either temporarily restricted or permanently restricted. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Agency reports the contribution as unrestricted.

Temporarily restricted net assets contain donor-imposed restrictions that permit the Agency to use or expend the assets as specified. The restrictions are satisfied by either the passage of time, or by the actions of the Agency.

Permanently restricted net assets contain donor-imposed restrictions that stipulate the resource be maintained permanently, but may or may not permit the Agency to use, or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

In-Kind Matching Contributions

The Agency receives a significant amount of donated materials, facilities, and services from volunteers and other entities, primarily relating to the Head Start program. Donated materials and facilities totaling \$2,213,807 are included in revenue and expenses for 2008 and recorded at their fair value on the date of donation. In addition, approximately 330,034 hours of donated services were received from volunteers in 2008. As required by SFAS No. 116, contribution of services shall be recognized if the services received create or enhance nonfinancial assets or require specialized skills. The value of this contributed time does not meet the criteria, and accordingly, is not reflected in the accompanying financial statements. Management has estimated the value of these services as approximately \$5,843,524.

See Independent Auditors' Report

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

Expense Allocations

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses.

Expenses are charged to programs and supporting services on the basis of program costs. Administrative costs include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency. Administrative costs are allocated based on a provisional indirect cost rate approved by the Agency's cognizant agency.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, the Agency considers investments that are readily convertible into cash and have original maturities of three months or less to be cash equivalents. Certain funding agencies require cash to be held in separate bank accounts, however, these funds are not considered restricted assets.

Investments

Investments consist primarily of corporate bonds and government securities. Investments in debt securities are recorded at fair value.

Accounts and Grants Receivable

Accounts receivable are amounts due from various agencies and entities for services performed under fee for service contracts. Grants receivable are amounts due from federal, state, or local funding sources for services performed under cost reimbursement contracts. Management considers all amounts to be fully collectible, and therefore, no allowance for doubtful accounts has been recorded in the accompanying financial statements.

See Independent Auditors' Report

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

Inventories

Inventories consist of transportation parts and supplies, and food supplies. Inventories are stated at the lower of cost or market, determined by the first-in, first-out method.

Property and Equipment

Contributed property and equipment are recorded at fair value on the date of donation. Contributions of property and equipment are recorded as unrestricted support, unless the donor stipulates how long the assets must be used.

Property and equipment purchased with Agency funds are capitalized at cost and depreciated over the useful estimated lives of the asset using the straight-line method. Amortization of building improvements is based on the estimated useful life of the improvements. Depreciation and amortization expense is charged against operations.

Property and equipment purchased with grant funds are depreciated using the straight-line method over the estimated useful life of the assets. Depreciation of these assets is charged against grant funded assets in the Statement of Activities.

In the event of a contract termination, certain funding sources require title to property and equipment previously purchased with grant funds revert to the funding source. Certain funding sources also limit the use of property and equipment for specific programs and require approval for disposition of property and equipment from the funding source.

Depreciation is calculated based on the following estimated useful lives:

<u>Type of Asset</u>	<u>Estimated Useful Life</u>
Equipment	5-10 years
Improvements	10-20 years
Buildings	30 years

See Independent Auditors' Report

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

Note 2 – Summary of Significant Accounting Policies (Continued)

Notes Receivable

Notes receivable are primarily amounts due for loans by the Agency in accordance with grant agreements for a revolving loan program. Notes receivable are shown net of an allowance for doubtful accounts of \$117,793.

Deferred Revenue

Grant awards that are determined to be exchange transactions are classified as deferred revenue until expended for the purpose of the grants.

Income Taxes

The Agency is a nonprofit organization defined in Section 501 (c)(3) of the Internal Revenue Code (the "Code") and is, therefore, exempt from federal income taxation under Section 501(a) of the Code. Furthermore, the Agency is exempt from state income taxation under Section 23701d of the California Revenue and Taxation Code.

The Agency is also subject to federal and state income tax on any unrelated business taxable income. Presently, the Agency has net operating loss carryforwards for both federal and state purposes. However, management does not believe these losses will be realized, and accordingly, any deferred tax assets have been offset by a valuation allowance account in the same amount.

See Independent Auditors' Report

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2008:

	<u>Amount</u>
Cash	\$ 3,167,640
Certificates of Deposit	1,705,000
Morgan Stanley Money Market Fund	<u>45,585</u>
	<u>\$ 4,918,225</u>

The Agency maintains cash balances at three financial institutions located in Fresno, California. The accounts at each institution, except one, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash held at one financial institution is protected up to the full net equity value by a combination of coverage provided by the Securities Investor Protection Corporation (SIPC). The amount in excess of the insured limits at December 31, 2008, total \$1,062,839.

Note 4 – Investments

Investments consist of the following at December 31, 2008:

	<u>Amount</u>
Stocks	\$ 5,983
Corporate Fixed Income	306,573
Government Securities	<u>475,147</u>
	<u>\$ 787,703</u>

Note 5 – Inventories

Inventories consist of the following at December 31, 2008:

	<u>Amount</u>
Food Supplies	\$ 29,481
Transportation Parts and Supplies	<u>31,019</u>
	<u>\$ 60,500</u>

See Independent Auditors' Report

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS December 31, 2008

Note 6 – Property and Equipment, Net

Property and equipment consist of the following at December 31, 2008:

	<u>Amount</u>
Land	\$ 796,852
Equipment	12,128,808
Construction in Progress	11,806,754
Building and Improvements	<u>18,755,524</u>
Total	43,487,938
Less Accumulated Depreciation	<u>(17,729,144)</u>
Property and Equipment, Net	<u>\$ 25,758,794</u>

Depreciation amounted to \$984,792 for grant funded property and equipment, and \$648,118 for Agency property and equipment for the year ended December 31, 2008.

The Agency filed "Notice of Federal Interest" on two of its buildings, which are used in operating the Head Start program with the Department of Health and Human Services (HHS). These notices were in response to HHS, the Agency's cognizant agency, determining the buildings are Head Start designated facilities. As a result of these notices, HHS has an ownership interest in the buildings.

In 1998 the Agency entered into a trust arrangement with the State of California for the purchase, maintenance and operation of a building known as the Transitional Living Center. The trust arrangement calls for the Agency to maintain the facility as a youth shelter for a period of no less than ten years. Should the Agency fail to comply with any terms of the trust arrangement, the trustee shall sell the property with remaining net proceeds conveyed to the State of California.

Note 7 – Notes Receivable

Notes receivable consist of the following at December 31, 2008:

	<u>Amount</u>
Grant Program Related Loans, 0-12.0% interest, various payments and security	\$ 771,411
Less Allowance for Uncollectible Accounts	<u>(117,793)</u>
	<u>\$ 653,618</u>

See Independent Auditors' Report

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008

Note 8 – Notes Payable

Notes payable consist of the following at December 31, 2008:

	<u>Amount</u>
Note payable to Farmers Home Administration in monthly installments of principal plus interest payments of \$8,066. Interest is at 5.0%. The note is due October 1, 2014, and is secured by a building.	\$ 458,728
Promissory note payable to a financial institution in monthly payments of principal and interest of \$34,907. Interest accrues monthly at 6.04%. The note is due June 20, 2010. The note is secured by a deed of trust and an assignment of rents.	595,542
Promissory note payable to a financial institution in semi-annual payments of principal and interest of \$52,380. Interest accrues monthly at 4.95%. The note is due September 27, 2022. The note is secured by a deed of trust and an assignment of rents.	1,049,067
Promissory note payable to a financial institution with monthly payments of interest at 2%. The note is unsecured and a balloon payment due February 2015.	200,000
Promissory note payable to a city government with semi-annual payments corresponding to program loan receivables collected. Interest due is amount of interest earned on principal and program income. The note is unsecured.	427,769
Promissory note payable to a financial institution with monthly payments of interest at 3%. The note is secured by blanket UCC filing and a balloon payment due October 2013.	400,000
Promissory note payable to a financial institution with monthly payments of interest at 4.08%. The note is secured by blanket UCC filing and a balloon payment due October 2013.	<u>300,000</u>
	<u>\$ 3,431,106</u>

See Independent Auditors' Report

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

The following is a schedule of future minimum principal payments as of December 31, 2008:

<u>Year Ending December 31:</u>	<u>Amount</u>
2009	\$ 523,862
2010	337,854
2011	142,546
2012	149,781
2013	857,384
Thereafter	<u>1,419,679</u>
	<u>\$ 3,431,106</u>

Note 9 – Revolving Line of Credit

The Agency has an unused \$1,200,000 revolving line of credit with a financial institution. The line of credit is unsecured.

Note 10 – Capital Lease

The California Department of Education (CDE) and the Agency entered into a lease-to-own agreement for a portable classroom facility. The State of California retains title to the facility until fully paid. The lease will terminate upon non-renewal of the Agency's child development contract, failure to make required payments, or repayment of all funds. Minimum lease payments, on an annual basis, are as follows:

<u>Year Ending December 31:</u>	
2009	\$ 13,000
2010	13,000
2011	13,000
2012	13,000
2013	13,000
Thereafter	<u>0</u>
	<u>\$ 65,000</u>

See Independent Auditors' Report

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

Note 11 – Self-Insured Health Coverage

In 1989, the Agency adopted a self-insured health plan (the "Plan") to provide health and welfare benefits for its employees, and to maintain a reserve equal to approximately four months of benefit premiums and payments. As part of the Plan, the Agency has contracted outside administrative services to account for and maintain the Plan, with disbursement of Plan benefits provided by third party claims administrators and other benefits consultants. In addition, the Agency carries excess insurance for risks of loss from claims in excess of \$100,000 per eligible participant with a total of \$2,000,000 in the aggregate.

Note 12 – Commitments and Contingencies

The Agency has commitments under various operating leases for facilities used for various programs and administrative offices. These agreements provide for cancellation in the event the Agency does not obtain appropriate funding in future years. Accordingly, none of these leases are in terms of greater than one year from the date of these Consolidated Financial Statements. The Agency also leases office equipment, machinery, and rental space under various, short-term, non-cancelable and month-to-month operating leases. Rent expense incurred under these leases totaled \$838,327 for the year ended December 31, 2008.

Future minimum lease payments under operating lease are as follows:

Year Ending December 31:

2009	\$ 54,544
2010	30,665
2011	4,821
2012	4,018
2013	0

Note 13 – Unrestricted Net Assets

Unrestricted net assets consist of the following at December 31, 2008:

	<u>Amount</u>
Unrestricted Net Assets	\$10,448,525
Grant Funded Assets Capitalized, net of accumulated depreciation of \$7,656,633	<u>6,665,149</u>
	<u>\$17,113,674</u>

See Independent Auditors' Report

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

Note 14 – Pension Plan

The Agency contributes to a defined contribution pension plan which covers eligible employees of the Agency. Employees are eligible upon completion of two years of service and a minimum 1,000 hours of service requirement without an intervening break. The Agency contributes an amount equal to five percent of the compensation earned by each eligible participant. Employer contributions are vested immediately.

For the year ended December 31, 2008, the Agency's total payroll and eligible payroll relative to the pension plan were \$34,226,336 and \$27,235,460, respectively. The Agency contributed \$1,361,773 to the pension plan for the year ended December 31, 2008.

Note 15 – Federally Funded Revenues

The Agency receives approximately 70% of its revenues from federally funded grants. The following is a summary of these grants, by funding source:

<u>Funding Source</u>	<u>Amount</u>	<u>Percentage</u>
U.S. Department of Health and Human Services	\$ 35,209,669	47.72%
U.S. Department of Agriculture	31,393,619	42.55%
U.S. Department of Labor	3,497,575	4.74%
U.S. Department of Housing and Urban Development	1,907,958	2.59%
Corporation for National and Community Service	947,303	1.28%
U.S. Department of Transportation	512,336	.69%
U.S. Department of Education	162,054	.22%
U.S. Department of Energy	143,049	.19%
U.S. Department of Homeland Security	<u>14,396</u>	<u>.02%</u>
Total	<u>\$ 73,787,959</u>	<u>100.00%</u>

See Independent Auditors' Report

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008

Note 16 – Department of Health and Human Services – Reconciliation to Financial Status Report

Reconciliation of the Department of Health and Human Services – Head Start Financial Status Report and the Audited Financial Statement is as follows:

	<u>Amount</u>
Total Expenditures per Financial Status Report	\$ 28,693,842
Child Care Food Reimbursements	1,272,977
In-Kind Recognized Under SFAS No. 116	<u>2,027,115</u>
Total Expenditures per Financial Statements	31,993,934
In-Kind Donated Services, not Recognized Under SFAS No. 116	<u>5,348,462</u>
Total Expenditures	<u>\$ 37,342,396</u>

Note 17 – Nonmonetary Transactions

WIC Food Vouchers

The Agency receives a grant from the U.S. Department of Agriculture, passed through the California State Department for the Special Supplemental Food Program for Women, Infants, and Children (WIC). As part of this grant, the Agency prints and distributes food vouchers to its participants. During the year ended December 31, 2008, the estimated value of these vouchers totaled \$26,075,831, which is included in the Agency's grant income and program expenses, respectively.

Emergency Utility Payments

The Agency receives a grant from the U.S. Department of Health and Human Services, passed through the California State Department of Community Services and Development for the Low Income Home Energy Assistance Program (LIHEAP). As part of this grant, the Agency processes applications for emergency utility payments, which are then paid by the State of California directly to the utility provider. The estimated value of these payments during 2008 was \$2,820,495, which is included in the Agency's grant income and program expenses, respectively.

See Independent Auditors' Report

KAKU & MERSINO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Fresno County Economic Opportunities Commission

We have audited the consolidated financial statements of Fresno County Economic Opportunities Commission (a nonprofit organization) as of and for the year ended December 31, 2008, and have issued our report thereon dated May 8, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fresno County Economic Opportunities Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fresno County Economic Opportunities Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

(Continued)

Board of Commissioners
Fresno County Economic Opportunities Commission

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fresno County Economic Opportunities Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kaku + Mersino, LLP

KAKU & MERSINO, LLP

May 8, 2009

KAKU & MERSINO, LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Fresno County Economic Opportunities Commission

Compliance

We have audited the compliance of Fresno County Economic Opportunities Commission (a nonprofit organization) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Fresno County Economic Opportunities Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Fresno County Economic Opportunities Commission's management. Our responsibility is to express an opinion on Fresno County Economic Opportunities Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Fresno County Economic Opportunities Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fresno County Economic Opportunities Commission's compliance with those requirements.

In our opinion, Fresno County Economic Opportunities Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

(Continued)

Internal Control Over Compliance

The management of Fresno County Economic Opportunities Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Fresno County Economic Opportunities Commission's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fresno County Economic Opportunities Commission's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance of federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kaku + Mersino, LLP

KAKU & MERSINO, LLP

May 8, 2009

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2008

SECTION I – SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the consolidated financial statements of Fresno County Economic Opportunities Commission.
2. No significant deficiencies were found during the audit of the financial statements that are required to be reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the consolidated financial statements of Fresno County Economic Opportunities Commission were disclosed during the audit.
4. No significant deficiencies in internal control disclosed during the audit of the major federal award programs is reported.
5. The auditor's report on compliance for the major federal award programs for Fresno County Economic Opportunities Commission expresses an unqualified opinion.
6. The audit does not disclose any audit findings which the auditor is required to report under OMB Circular A-133 §.510(a).
7. The programs tested as major programs included:
 - Head Start and Early Head Start, CFDA No. 93.600
 - Maternal and Child Health Services Block Grant, CFDA No. 93.994
 - Child and Adult Care Food Program, CFDA No. 10.558
8. The threshold for distinguishing Types A and B programs was \$2,213,639.
9. Fresno County Economic Opportunities Commission was determined to be a low-risk auditee.

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no reportable findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no reportable findings.

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

STATUS OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2008

There were no prior year findings.

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Farmer's Market Promotion Program	10.168	12-25-G-0693	3,338
Passed through California State Department of Health Services:			
Special Supplemental Food Program for Women, Infants, and Children	10.557	05-45757 08-85438	22,260,189 7,452,129
Pass through California State Department of Education:			
Child and Adult Care Food Program	10.558	10-2229-2C 10-1203-8A 10-62166-1030642-01 10-34108-9013004-01	37,764 1,272,977 41,289 11,357
Summer Food Service Program	10.559	10-91002S	314,576
Total Department of Agriculture			31,393,619
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Head Start	93.600	09CH0621/42	28,693,842
Refugee and Entrant Assistance - Discretionary Grants	93.576	90RG0025/01 90RG0025/01 90RU0104/01 90RU0134/01	197,060 62,736 29,998 153,786
Runaway and Homeless	93.623	09CY5153/02 09CY5153/03	92,334 53,095
Transitional Living for Homeless Youth	93.623	09CX5040/04 09CX5040/05	54,731 147,729
Education and Prevention, Runaway, Homeless and Street Youth	93.557	09YO2073/02 09YO2073/03	76,367 18,176
Community Services Block Grant_ Discretionary Awards	93.570	90EE0696/01	0
OCS Discretionary Grant	93.602	90EI0461/01 90EI0186/01	103,825 26,864
Passed through Fresno-Madera Area Agency on Aging:			
Special Programs for the Aging - Title III-B Transportation	93.044	08-0093 09-0093	30,871 25,440
Special Programs for the Aging - Title III-C-1 Site Management	93.045	08-0090 09-0090	5,321 6,857
Passed through California State Department of			

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
Passed through California State Department of Community Services and Development:			
Community Services Block Grant	93.569	06F-4711	6,692
		08F-4911	1,568,905
		07F-4822	10,260
		07F-4887	20,083
Low-Income Home Energy Assistance	93.568	06B-5359	80,164
		07B-5409	240,763
		08B-5459	1,650,408
		01B-5013 & 02B-5163	177,920
Passed through State of California Department of Health:			
Temporary Assistance for Needy Families	93.558	05-45269	56,632
		05-45269	48,233
Medical Assistance Program	93.778	03-76-120	52,101
		03-76-120	0
Passed through California Department of Education:			
Child Care and Development Block Grant	93.575	CIMS-7101	3,464.00
		CSCC-7037	1,313
		CIMS-8086	0
		CRPM-8021	0
		CSCC-8045	0
		CRPM-7009	19,475.00
Passed through County of Fresno Human Services System:			
CalWORKS Transportation Agreement	93.558	07-221	50,999
		A-08-083	270,438
Foster Care Title IV-E	93.658	A-05-118	27,469
		A-08-339	142,191
		A-07-368	27,884
Block Grants for Prevention and Treatment of Substance Abuse	93.959	A-06-033	143,113
		A-06-033	140,154
		A-08-516	37,460
		A-06-412	57,451
		A-06-412	16,671
		A-05-010	16,789
		A-05-010	17,752
Maternal and Child Health Services Block Grant to the States	93.994	A-07-194	147,116
		A-08-217	203,134
Passed through California Family Health Council, Inc.:			
Family Planning Services/Male Services Program	93.217	2008	195,603
Total Department of Health and Human Services			35,209,669

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>Federal Grantor Pass-Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Emergency Shelter Grants Program	14.231	CA01B614006	115,027
		CA01B614006	98,675
		CA01B614007	48,602
		CA01B614007	239,379
		CA01B314004	71,990
		CA01B314005	579,702
Opportunities for Youth - Youthbuild Programs	14.243	Y-06-IM-CA-007	355,829
YouthBuild - Self Help Enterprises	14.250	--	200,127
Passed through City of Fresno:			
Emergency Shelter Grants Program	14.231	--	24,718
		--	22,708
Transitional Living Program	14.231	--	9,358
		--	10,782
Passed through County of Fresno Human Services System:			
Emergency Shelter Grants Program	14.231	A-07-198	46,257
		A-05-143	55,813
		A-05-143	22,580
		A-08-588	6,411
Total Department of Housing and Urban Development			<u>1,907,958</u>

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Passed through Fresno County Workforce Investment Board:			
Workforce Investment Act	17.259	310-301	617,417
		310-301	574,440
		--	100,818
		220	299,521
		201	281,568
		220	185,829
		501	232,393
		660-301	48,678
		660-301	101,992
		660-301	67,213
		--	6,126
		--	470
		220	10,525
		220	6,744
		629	6,250
		629	8,240
		629	6,250
		629	12,137
Passed through State of California - EDD			
Cal Grip Workforce Investment Act	17.259	R870024	197,961
		GR07018596	126,512
Passed through National Association of Service and Conservation Corps:			
WIA Pilots, Demonstrations, and Research Projects	17.261	YF-15595-06-60	23,071
Passed through Youthbuild USA:			
YouthBuild/DOL	17.274	YB-16892-08-60-A-6	573,940
WIA Pilots, Demonstrations, and Research Projects	17.261	001	9,480
Total Department of Labor			3,497,575

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Passed through State of California Department of Transportation:			
Capital Assistance Program for Elderly Persons and Persons with Disabilities	20.513	645530 646531	57,150 415,186
Passed through Council of Fresno County Governments:			
Federal Transit Technical Studies Grants	20.505	--	40,000
Total Department of Transportation			512,336
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>			
Foster Grandparents Program	94.011	06SFPCA002	349,757
Passed through California Service Corps			
Fresno Safe and Proud	94.006	06ACHY14-C68 06ACHY15-C68	381,523 136,589
Passed through YouthBuild USA:			
YouthBuild AmeriCorps	94.006	04NDHMA0020001 07NDHMA0010046	15,589 63,845
Total Corporation for National and Community Service			947,303
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed through California State Department of Community Services and Development:			
Weatherization Assistance for Low-Income Persons	81.042	07C-1659 08C-1709	51,111 91,938
Total Department of Energy			143,049

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Fresno Unified School District:			
Title I Grants to Local Educational Agencies	84.010	33749	13,555
		--	132,883
Improving Teacher Quality State Grants	84.367	--	10,964
Safe and Drug-Free Schools and Communities_State Grants	84.186	--	3,572
State Grants for Innovative Programs	84.298	--	1,080
Total Department of Education			162,054
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed through United Way of America:			
Emergency Food and Shelter Program	97.024	25-0464-00 014 E1	14,396
Total Department of Homeland Security			14,396
TOTAL FEDERAL AWARDS			\$ 73,787,959

FRESNO COUNTY ECONOMIC OPPORTUNITIES COMMISSION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2008

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Fresno County Economic Opportunities Commission and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

Note 2 – Nonmonetary Transactions

WIC Food Vouchers

The Agency receives a grant from the U.S. Department of Agriculture, passed through the California State Department for Health Services for the Special Supplemental Food Program for Women, Infants, and Children ("WIC"). As part of this program, the Agency processes and distributes food vouchers to its participants. During the year ended December 31, 2008, the estimated value of these vouchers totaled \$26,075,831, which is included in the accompanying Schedule of Expenditures of Federal Awards.